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Jefferies

PLACE GAS & OIL COMPANY LIMITED

1966 ANNUAL REPORT

The "Ocean Prince" off-shore drilling platform is owned by the Burmah North Sea Group and is scheduled to drill for the Place-Humber groups later this year on the Place (U.K.) North Sea licensed area.

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AR27

John V

**PLACE GAS & OIL COMPANY
LIMITED**

PROGRESS REPORT

TO THE SHAREHOLDERS

May 1, 1967

PLACE GAS & OIL COMPANY LIMITED

SUITE 605, VICTORY BUILDING
80 RICHMOND STREET WEST
TORONTO 1, ONTARIO

Telephone EMpire 4-4283
Cable Address: "Placegas"

TO THE SHAREHOLDERS:

You will be pleased to learn that your company is now embarked on the most exciting exploration venture in its history — a venture that was prominently reported last week by the British press.

As you are aware, Place Gas, through its wholly-owned English subsidiary, Place Oil & Gas Company (U.K.) Limited, holds licenses P.045 and P.080 obtained from the British government, covering about 700 square miles of off-shore acreage in the North Sea and extending from the Humber Estuary south to the mouth of The Wash. This acreage is held for the joint account of Place Gas & Oil (45%), Noranda Mines (27%), Kerr Addison Mines (18%) and Husky Oil (Alberta) (10%).

The "Place group" consortium has entered into a joint exploration venture with major international petroleum interests — the "Burmah Humber Group" — to expedite a drilling program within Place's North Sea off-shore acreage.

Participants in the Burmah Humber Group are: Burmah Oil Exploration Company Ltd. (30%); Imperial Chemical Industries Ltd. (25%); Gulf Oil (Great Britain) Ltd. (25%); North Sea Ventures Limited (10%); Amax Petroleum (U.K.) Ltd. (3⅓%); North Sea Selection Co. Ltd. (3⅓%); Falcon Seabord Ltd. (3⅓%).

Under the agreement, the Burmah Humber Group is committed to pay 75% of the cost of two exploration wells, which will entitle it to a 33⅓% undivided interest in the two licences. This Group also has an option to pay 75% of the cost of a third well, which would increase its undivided interest in the licences to 50%.

Burmah Oil Exploration Company will be the operator for the joint venture. The drilling barge Ocean Prince is scheduled to commence drilling this summer. Current cost of North Sea off-shore drilling is estimated at about \$1.5 million per well.

As you know, the Place group had previously carried out extensive marine seismic surveys in the northern half of Place's holdings. Under the present agreement, a further marine seismic survey is planned on the southern part of the holdings. The cost of this survey has been budgeted at \$300,000 and will be shared equally by the Burmah Humber and the Place groups.

By virtue of its interest in the venture, your company's financial commitment is limited to 45% of 25% of the cost of the drilling program and to 45% of 50% of the cost of the marine seismic survey to be carried out on the southern part of the off-shore acreage.

Upon completion of the drilling program, your company will emerge as the largest individual holder in the off-shore licences, with a minimum undivided 22½% interest.

To supplement your company's current working capital requirements an additional 150,000 treasury shares have been issued and placed in Great Britain. This issue has netted the company approximately \$380,000.

LANCASTER FELS

In addition to its off-shore acreage, Place on its own account holds extensive oil and gas licences on land in England. Last winter your company drilled one well on its holdings in the Lancaster Fells area, near the town of Lancaster. The British Petroleum Company, with drilling equipment available on land in England, was retained to act as drilling contractor under Place's technical supervision.

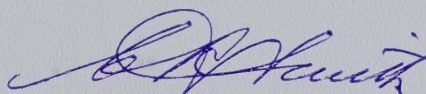
Burmah Oil Exploration Company agreed to pay approximately 50% of the cost of this well to earn a 25% undivided interest in our Lancaster Fells holdings. It also obtained an option, exercisable to July, 1967, to increase its interest to 50% by spending a like amount on further exploration.

Although gas and oil showings were encouraging, the well did not prove commercial and was abandoned. Further exploration efforts on this property are now being considered.

LAKE ERIE, ONTARIO

The drilling of five new wells on Place Gas' Lake Erie gas and oil properties is planned for the current season. Work will start this month. The Lake Erie operation continues to be a source of modest revenue for your company.

The annual report of Place Gas & Oil, providing details of all activities in 1966, is now being prepared and will be mailed to you shortly.



CLIFFORD R. J. SMITH,
President and Managing Director.

Toronto, Ontario,
May 1, 1967.

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PLACE GAS & OIL COMPANY
LIMITED

PROGRESS REPORT
TO THE SHAREHOLDERS

November 3rd, 1967

PLACE GAS & OIL COMPANY LIMITED

Suite 605, Victory Building
80 Richmond Street West, Toronto 1, Ontario.

Telephone 364-4283
Cable Address: "Placegas"

TO THE SHAREHOLDERS:

The first well of a joint gas-oil exploration venture program drilled in the 700 square mile oil and gas exploration licensed area in the North Sea under the Agreement with the Burmah-Humber Group has been completed. Although both oil and gas showings were obtained, the well was abandoned at a depth of 8040 ft. as non-commercial, but the valuable geological information compiled will materially assist in selecting future well drilling sites on this offshore acreage. You will recall that this first well was part of an agreement in which the Burmah-Humber Group agreed to drill two wells to earn a $33\frac{1}{3}\%$ undivided interest in the 700 square mile area, with an option to drill a third well to bring their undivided interest up to 50%. When the 3 well drilling program has been completed, your Company, through its wholly owned U.K. subsidiary, will hold a $22\frac{1}{2}\%$ undivided interest — making it the largest individual holder in the off-shore licenses.

Drilling of the second well is expected to take place in a few months, after further technical studies for its location have been completed.

In the meantime, the Ocean Prince Drilling platform, which is owned by the Burmah North Sea Group, and which was retained by the Place/Burmah-Humber Group consortium to drill its first well, is expected to be utilized to drill a well on acreage adjoining the Place/Burmah-Humber Group holdings, and the results obtained should prove to be of considerable value in providing additional geological information with respect to your Company's U.K. subsidiary holdings.

Further marine seismic surveys have been completed on the southern half of the 700 square mile North Sea acreage and the results, now being geologically assessed, have already indicated most interesting structures for further exploration.

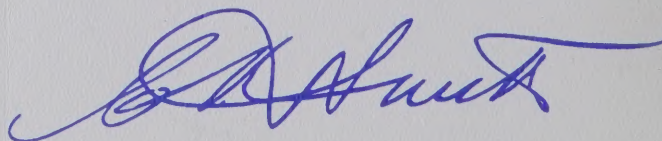
In addition to the above, Place U.K.'s wholly owned acreage consisting of oil and gas licenses in The Wash embayment and land holdings in Lancashire and Lincolnshire, require further technical research, and negotiations are under way to secure partners to share in the cost of exploring and drilling these areas.

Although the results of the first well drilled in the North Sea were disappointing from a production standpoint, your management is most confident that further drilling will obtain worthwhile results in view of the success ratio of wells drilled by other companies in the general vicinity of Place U.K.'s offshore holdings.

Good progress has been made by the drilling of 5 gas wells in the newly discovered gas field in the Port Dover area of Lake Erie, all of which proved to be commercial and having an aggregate daily open flow upwards of $4\frac{1}{2}$ million Cu. Ft. and which will substantially augment the Company's gas production from its present wholly owned Port Dover and Selkirk Fields.

This new field required an eleven mile extension to the present Port Dover Gathering system in order to market the gas to Union Gas Company and currently being sold at 37¢ M. Cu. Ft.

Your Company's financial position is adequate to meet further North Sea drilling requirements and current operations.



CLIFFORD R. J. SMITH,
President and Managing Director.

November 3rd, 1967.

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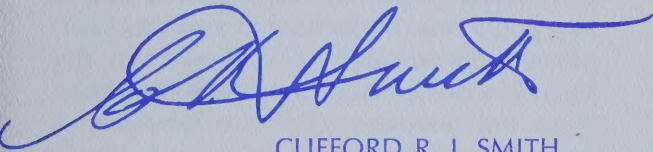
ently subject to detailed geological studies to establish well locations.

Canadian Arctic

Your Company has a 6% interest in the Pan Arctic Syndicate which holds approximately 1 1/2 million acres in the Canadian Arctic Archipelago, including part of Melville Island. Pan Arctic Oils Limited is currently conducting an aggressive exploration program in the Canadian Arctic Archipelago and well sites on the Syndicate's property on Melville Island should be established fairly soon.

Summary

With the substantially increased production anticipated from your Company's Lake Erie holdings, together with the prospect of further successful drilling in this area and the eventual successful development of your Company's North Sea, United Kingdom and Canadian Arctic interests, a bright future for the growth of your Company can be anticipated.



CLIFFORD R. J. SMITH,
President and Managing Director.

September 18th, 1968.

PLACE GAS & OIL COMPANY

LIMITED

PROGRESS REPORT

TO THE SHAREHOLDERS

September 18th, 1968

PLACE GAS & OIL COMPANY LIMITED

Suite 605, Victory Building
80 Richmond Street West, Toronto 1, Ontario.

Telephone 364-4283
Cable Address: "Placegas"

TO THE SHAREHOLDERS:

Lake Erie

The first well drilled in the Company's 1968 Lake Erie drilling programme in its Port Dover offshore area proved to be a commercial success, and after a 48 hour production test the open flow was maintained at well over 700,000 Cu. Ft. of gas per day. The Port Dover Gathering system is being extended to facilitate production from this well. A second well in this area is to start immediately.

Your Company's marine equipment and personnel have also been actively engaged in an extensive workover of the wells in the Selkirk offshore field, resulting in an appreciable increase in gas production from this source, which is partly responsible for an overall 15% improvement over the 1967 comparative 8 month period. Your Company owns a 100% interest in 38 gas wells and a 50% interest in 28 gas wells in Lake Erie and oil and gas acreage totalling 33,360 acres 100% and 37,327 acres 50%.

Certain marine equipment and personnel are also being employed for heavy construction contract work in the Nanticoke area.

North Sea-United Kingdom Operations

Under an Agreement between the Place-Noranda-Husky group, holders of oil and gas exploration licenses, held in the name of Place Oil & Gas Company (U.K.) Limited, covering approximately 700 square miles of offshore acreage in the North Sea, extending from just north of the Humber estuary south to the mouth of The Wash embayment, starting about 3 miles offshore, and the Burmah-Humber Group, made up of Burmah Oil Exploration Company Ltd.; Imperial Chemical Industries Ltd.; Gulf Oil (Great Britain) Ltd.; North Sea Ventures Ltd. and the North Sea Selection Group, the Burmah-Humber Group agreed to pay $\frac{3}{4}$ of the cost of drilling two

wells to earn a $33\frac{1}{3}\%$ undivided interest in the Place consortium's offshore holdings. These wells have now been drilled and although found to be non-commercial, encouraging geological information and gas showings were obtained. The Burmah-Humber Group has an option until the end of December 1968 to decide on paying the cost of $\frac{3}{4}$ of a 3rd well to increase their interest in the acreage holdings to an undivided 50%. Burmah Oil Exploration Company Ltd. is the Operator and is currently completing studies of the results obtained from our own drilling and that of adjoining acreage by other companies, to decide on the exercising of this option and the location of a 3rd well.

Great encouragement as to the oil and gas potential of the Place-Burmah North Sea acreage is given by the recent successful drilling by Gulf Oil Company (U.K.) on a block of acreage immediately to the east of the Place consortium's most northerly licensed area. A very substantial discovery gas well was completed approximately $2\frac{1}{3}$ miles from the boundary of the Place consortium's holdings. Since this discovery, Gulf has completed a 2nd well and is currently drilling a 3rd well. The results of this drilling indicate a gas field of major proportions.

In addition to the jointly held North Sea acreage, your Company, through its wholly owned subsidiary, Place Oil & Gas Company (U.K.) Limited, wholly owns approximately 139 square miles of oil and gas acreage covering the southeast half of The Wash embayment. A well site has been established on the most northerly part of the shore line in this area. Drilling of this well, Place-Hunstanton #1, is expected to start in early October. Your Company also holds approximately 185 square miles of oil and gas acreage in Lancashire and 185 square miles of oil and gas acreage in Lincolnshire. This acreage is curr-

PLACE GAS & OIL COMPANY LIMITED

DIRECTORS	John A. Bailey	Toronto, Ontario
	Sir Michael Butler, Bart.	Toronto, Ontario
	D. C. Early	Toronto, Ontario
	V. N. Harbinson	Toronto, Ontario
	J. E. Houston	Toronto, Ontario
	H. W. Hunter	Kitchener, Ontario
	P. E. Lafontaine, Q.C.	Westmount, Quebec
	A. D. G. Reid	Toronto, Ontario
	Real Rousseau	Windmill Point, Quebec
	C. R. J. Smith	Toronto, Ontario
OFFICERS	C. R. J. Smith	<i>President</i>
	Sir Michael Butler, Bart.	<i>Vice-President</i>
	J. D. S. Bohme	<i>Secretary</i>
	P. G. Turner	<i>Treasurer</i>
HEAD OFFICE	Suite 605, 80 Richmond Street West, Toronto 1, Ontario	
FIELD OFFICES	Nanticoke, Ontario and Colchester, Ontario	
TRANSFER AGENT & REGISTRAR	Eastern & Chartered Trust Company, Toronto, Ontario	

PLACE OIL & GAS COMPANY (U.K.) LIMITED

Wholly owned English Subsidiary Company

HEAD OFFICE	18 Austin Friars, London, E.C. 2, England	
DIRECTORS	Clifford R. J. Smith, <i>Chairman of the Board</i>	Toronto, Ontario
	Hon. John B. Aird, Q.C.	Toronto, Ontario
	Sir Michael Butler, Bart.	Toronto, Ontario
	R. C. G. Clarke	London, England
	J. E. Simon	London, England

PLACE GAS AND OIL COMPANY LIMITED

DIRECTORS' REPORT



To the Shareholders:

During 1966, in addition to maintaining an active drilling program in Lake Erie, there was a step-up in the tempo of your company's exploration activities in its holdings in the United Kingdom, the results of which allowed us to establish a firm drilling commitment in the British sector of the North Sea holdings.

Companies that have already drilled in the North Sea, in the general area of your company's holdings, indicate a potential gas field in the North Sea sedimentary basin which is reputed to be one of the largest in the world. The location of these gas reserves, in relation to the huge market potential of Britain and Europe, further enhances the importance of the North Sea Sedimentary Basin.

The broad picture of the North Sea exploration activities to date, in relation to your company's holdings, is covered in detail by a geological report contained herein by Dr. Colin Fothergill, Phd., A.R.S.M., F.G.S.

Agreement with Burmah-Humber group.

As you are aware, Place Gas, through its wholly-owned English subsidiary, Place Oil & Gas Company (U.K.) Limited, holds licenses P.045 and P.080 obtained from the British government, covering approximately 700 square miles of off-shore acreage in the North Sea and extending from the Humber Estuary south to the mouth of The Wash. This acreage is held for the joint account of Place Oil & Gas (U.K.) (45%); Noranda Mines (27%);

Kerr-Addison Mines (18%); and Husky Oil (Alberta) (10%).

The "Place group" consortium has entered into a joint exploration venture with major international petroleum interests — the "Burmah Humber Group" — to expedite a drilling program within the Place group's North Sea off-shore acreage.

Participants in the Burmah Humber Group are: Burmah Oil Exploration Company Ltd. (30%); Imperial Chemical Industries Ltd. (25%); Gulf Oil (Great Britain) Ltd. (25%); North Sea Ventures Limited (10%); Amax Petroleum (U.K.) Ltd. (3 $\frac{1}{3}$ %); North Sea Selection Co. Ltd. (3 $\frac{1}{3}$ %); Falcon Seabord Ltd. (3 $\frac{1}{3}$ %).

Under the agreement, the Burmah Humber Group is committed to pay 75% of the cost of two exploration wells, which will entitle it to a 33 $\frac{1}{3}$ % undivided interest in the two licences. This Group also has an option to pay 75% of the cost of a third well, which would increase its undivided interest in the licences to 50%.

Burmah Oil Exploration Company will be the operator for the joint venture. The drilling barge Ocean Prince is scheduled to commence drilling this summer. Current cost of North Sea off-shore drilling is estimated at about \$1.5 million per well.

As you know, the Place group had previously carried out extensive marine seismic surveys in the northern half of Place's holdings. Under the present agreement, a further marine seismic survey is planned on the southern part of the holdings. The cost of this survey has been budgeted at \$300,000 and will be shared equally by the Burmah Humber and the Place groups.

PLACE GAS AND OIL COMPANY LIMITED

By virtue of its interest in the venture, your company's financial commitment is limited to 45% of 25% of the cost of the drilling program and to 45% of 50% of the cost of the marine seismic survey to be carried out on the southern part of the off-shore acreage.

Upon completion of the drilling program, your company will emerge as the largest individual holder in the off-shore licences, with a minimum undivided 22¹/₂% interest.

LAKE ERIE, ONTARIO.

You will note in the engineer's report, by R. B. Harkness, P.Eng., that drilling activity was maintained in Lake Erie by the drilling of five successful wells, four on our joint acreage with Mitchell & Mitchell Properties Inc., of Houston, Texas and one well on our wholly-owned off-shore acreage. There was a slight decrease in the revenue from the sale of our gas production, which was caused by mechanical difficulties, which we hope to correct during the current season. It is planned to drill five wells on our wholly-owned acreage in the Port Dover area during the current season and work is expected to start in May of this year. The Lake Erie gas production, although modest, is a basic source of revenue to your company.

WORKING CAPITAL.

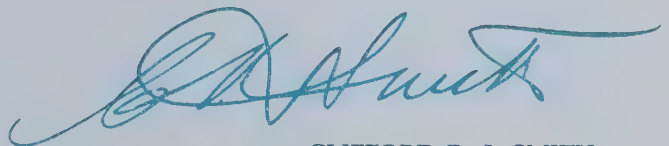
The financial position of your company is shown in the enclosed statement; but to supplement your company's current working capital requirements, an additional 150,000 treasury shares have been

recently issued and placed in Great Britain. This issue has netted the company approximately \$380,000.

The drilling of our off-shore acreage in the North Sea, coupled with further drilling in Lake Erie, should provide substantial growth potential to your company.

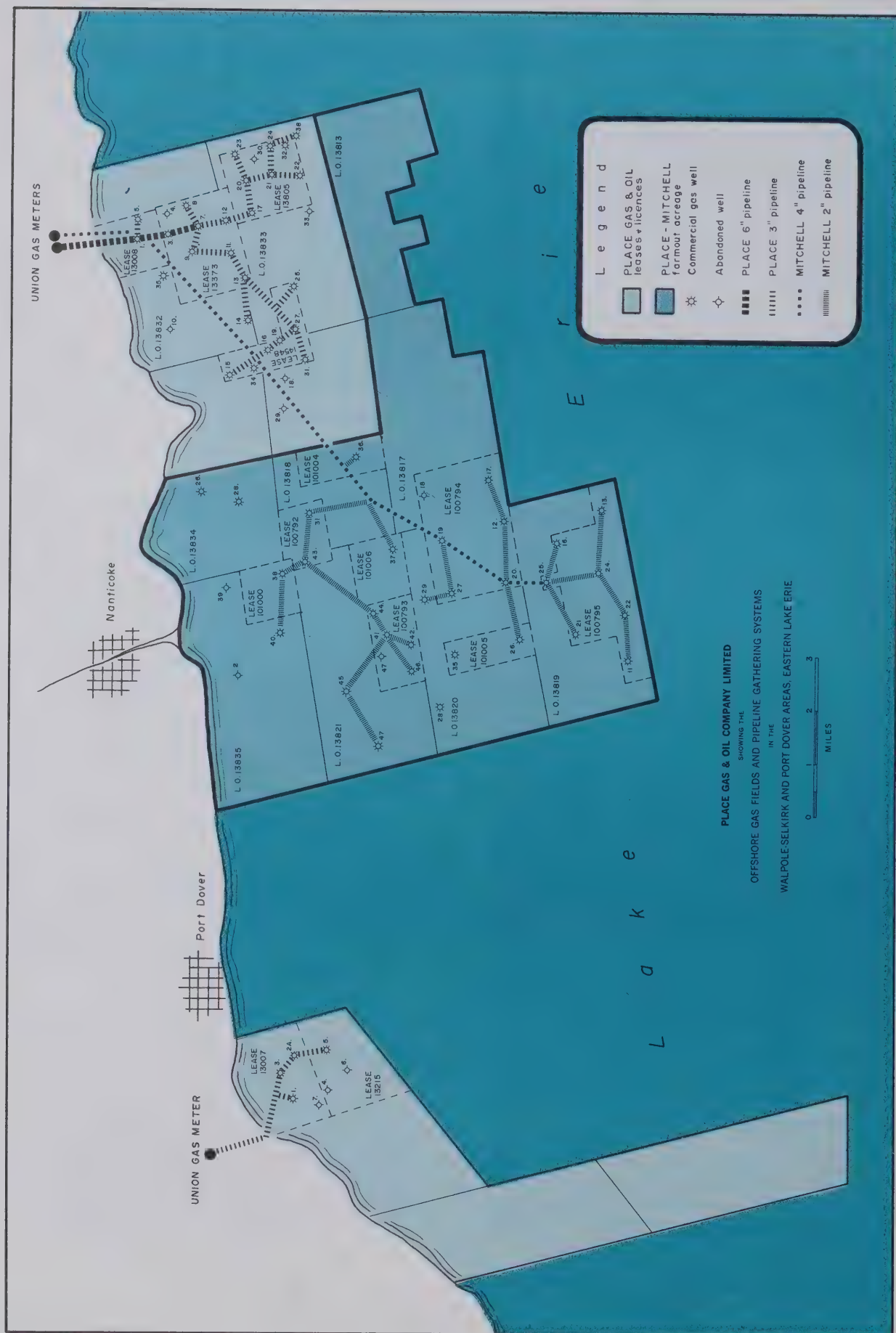
The management of your company appreciates the confidence and support of its shareholders and plans to keep them informed of significant developments as they occur. The loyalty and cooperation of the company's personnel during the year is also greatly appreciated.

On behalf of the Board



CLIFFORD R. J. SMITH
President and Managing Director

May 15th, 1967.



PLACE GAS AND OIL COMPANY LIMITED

ENGINEER'S REPORT

Summary of operations in Lake Erie and Southwestern Ontario for 1966.

To the President and Directors,

The Company holds in good standing in Southwestern Ontario a 100% interest in the following acreage:

Land Leases	3,766 Acres
Offshore Leases in Lake Erie	6,305 Acres
Licenses of Occupation in Lake Erie	27,055 Acres
TOTAL	37,126 Acres

and a 50% interest in:

Offshore in Lake Erie:	
Leases	8,260 Acres
Licenses of Occupation	29,067 Acres
TOTAL	37,327 Acres

WELL DRILLING ACTIVITIES

During the year the Company drilled four wells on its jointly-held acreage, for its joint account with Mitchell & Mitchell Properties, all of which were commercial. Three of these wells were tied into our jointly-owned gathering system.

One well was drilled on the Company's wholly-owned acreage and will be tied into the Company's wholly-owned gathering system in due course.

OTHER OFFSHORE ACTIVITIES

The Company also did considerable repair and maintenance work for other well drilling participants in Lake Erie.

JOINTLY HELD OFFSHORE GATHERING SYSTEM

During the year the Company extended its jointly held offshore production line and gathering system by a further 15,616 feet, bringing the aggregate length to 173,727 feet, of which 116,459 feet comprises the 2³/₈" gathering system and 57,268 feet comprises the 4¹/₂" main line to shore.

The 15,616 foot addition was constructed to tie in three of the four commercial wells drilled during the year for the Company's joint account with Mitchell & Mitchell Properties Incorporated.

PRODUCTION OF GAS AND OIL

Gas production was approximately 4% lower than in 1965.

Comparative 1965-1966 Figures:

	1965 M. Cu. Ft.	1966 M. Cu. Ft.
Wholly owned Walpole Field	335,548	247,791
Jointly owned Walpole Field	328,112	363,001
Wholly owned Port Dover Field	20,000	46,767
	683,660	657,559

All gas produced was sold to Union Gas Company at 37¢ per thousand cubic feet. Oil production during the year from the Company's offshore Colchester No. 1 Well amounted to 4,302 Bbls. of high grade crude oil as against 7,627 barrels produced in 1965. The income from the Company's 2.6% interest in the Groh No. 1 Well onshore at Colchester amounted to the equivalent of 167¹/₂ barrels of high grade crude oil.

All gas and oil sold is subject to a royalty of 10% or the annual cost of the leases, whichever is the greater.

GAS AND OIL ACREAGE HELD IN SOUTHWESTERN ONTARIO

Offshore Lake Erie	100% in 33,360 Acres
Offshore Lake Erie	50% in 37,327 Acres
Land Acreage in Dawn Township	100% in 3,025 Acres
Land Acreage Chatham Township	100% in 741 Acres

COMMERCIAL GAS WELLS DRILLED TO DATE

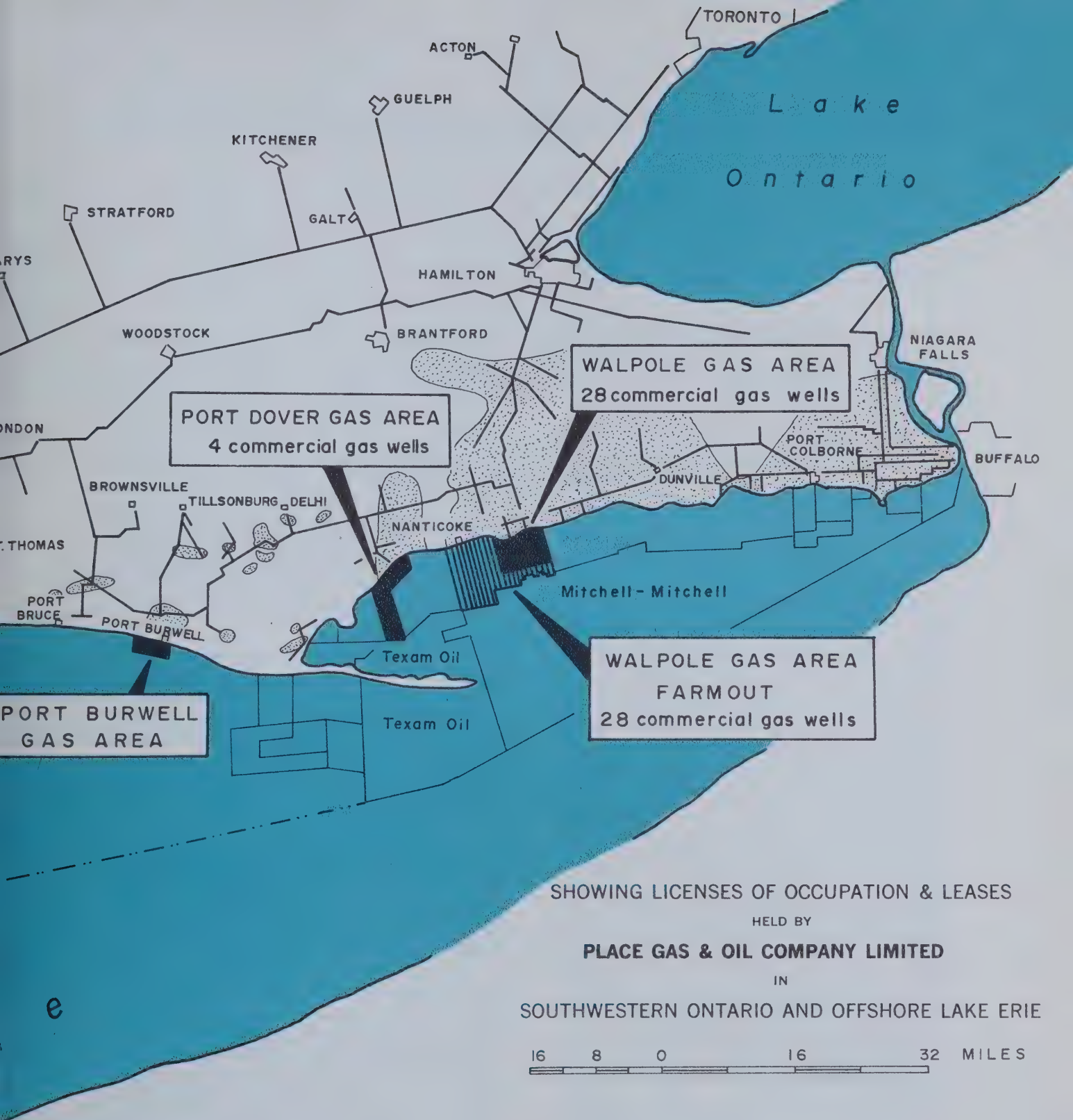
Area	Place 100%	Place 50%	Total	Tied-In	Shut-In
Walpole	28	28	56	52	4
Port Dover	4	..	4	2	2
	32	28	60	54	6

1967 Program A five-well program is planned for the Company's wholly-owned acreage. Further drilling is contemplated for the jointly held acreage.

March 29th, 1967.
Toronto, Ontario.

Respectfully submitted:
R. B. Harkness, P.Eng.





L e g e n d

-  PLACE Gas and Oil Leases & Licences
-  PLACE Farmout Acreage
-  Natural gas field
-  Oil field
-  Pipeline system

PLACE GAS AND OIL COMPANY LIMITED

GEOLOGIST'S REPORT

Operations in the United Kingdom and British North Sea

The Chairman and Directors.

Gentlemen:

The view that the British North Sea would prove to be a major source of natural gas was confirmed by the results of drilling during 1966 which were most successful. Drilling activity expanded during the year and at the end of 1966 a total of thirty six wells had been drilled in the British North Sea and five were drilling.

After the discovery of the first gas field (West Sole) by the British Petroleum Company Limited late in 1965 there followed a series of successes during 1966 and by the end of the year the total number of successful exploration wells had reached nine, giving a success ratio of approximately 1:4. Of these nine wells it is now estimated that at least five commercial gas fields have been proven and development drilling is under way: at the end of 1966 thirteen development wells were drilling or had been drilled to appraise the discoveries.

The remarkable success ratio of 1:4, compared to a world average of 1:10, is further enhanced if we consider the distribution of the discoveries in the British North Sea. These are situated between latitude 53° North and 54° North, in the region offshore from the Lincolnshire and Norfolk coasts; and all wells drilled outside these limits have been dry.

Within the discovery belt the success ratio is approximately 1:3 and the results of drilling in the early part of 1967 have maintained these patterns of discovery. Moreover the results enhance further the prospects of your Company's holdings which lie in this same belt.

Most of the discoveries have found gas in the Permian Rothliegendes sand but in addition there have been discoveries of commercial gas at shallower horizons in the Trias Bunter sand and Permian Magnesian limestone in the nearer shore region, in block 48/29 for example; and the first discovery of oil in significant quantities was re-

ported by the Burmah Oil Company Limited in the latter part of 1966 from block 48/22.

There now seem prospects for commercial oil as well as gas accumulations, particularly in the western part of the British North Sea between latitude 53° North and 54° North and the Company's offshore licences are well placed both geologically as well as geographically in this regard.

NORTH SEA

Licences P.045 and P.080: No further offshore licences in the North Sea were issued by the Ministry of Power during 1966 and the North Sea holdings are therefore unchanged. They comprise 695.52 square miles, divided into ten contiguous blocks and designated as Licences P.045 and P.080.

A Seismic Survey was carried out over these licences during June and July 1966 as part of a joint seismic survey undertaken with Place Oil and Gas Company (U.K.) Limited as Managing Agent, on behalf of itself and Canadian Industrial Gas (U.K.) Limited and Trinidad Canadian Oils Limited. The survey was carried out by Prakla of Hannover, West Germany, and a total of 425 miles of seismic traverse was completed, of which about 230 miles were located within your Company's licences.

Surveying techniques employed three-fold analogue-digital recording and the results were processed during the latter half of 1966 using analogue and digital methods. The final presentation of the results in the form of digital cross-sections has been interpreted, together with data acquired during the year by exchange with other licencees.

The purpose of the seismic survey was to evaluate in further detail the structural conditions in the northern part of Licence P.045 and the most recently acquired block 47/7, (licence P.080). The

PLACE GAS AND OIL COMPANY LIMITED

results were successful and the interpretation has shown that the western part of the holdings can be divided into three geological sectors: (a) the Spurn Ridge; (b) the Terrace; and (c) the Basin. Of particular interest are prospects for trapping in Permian reefs in the Terrace region and possible structural and/or stratigraphic trapping along the Spurn Ridge where there are closures on a regional nose feature.

Several features have been delineated as drilling prospects and at the time of writing negotiations were pending with a substantial group of companies for drilling operations to be carried out in the near future.

UNITED KINGDOM

The Wash Area: The three onshore licences held by your Company in the Wash-Fenland region of East Anglia, totalling 406 square miles, expired on 31st July, 1966; but application was made for renewal under the terms of the regulations for a further twelve month period. At the end of July 1967 the areas covered by these licences will fall within the orbit of new regulations for onshore licences promulgated in June 1966.

The marine area of the Wash adjoining these onshore licences was formerly held under licence by the Company which expired at the end of 1964 and was not available for renewal. Under the regulations of June 1966, however, renewal became possible and in view of the encouraging results of the seismic survey carried out in the Wash in 1964 application for renewal was made to the Ministry of Power in September 1966. A decision in this regard was expected from the Ministry in the first months of 1967.

A number of onshore licences formerly held by the British Petroleum Company Limited in the East Midlands expired in 1966, including some prospective territory in East Yorkshire and East Lincolnshire; and early in 1967 your Company applied for licences in these areas also, so as to extend its exploration prospects over a wide region of promising potential.

Lancaster Fells Area: The Lancaster Fells holdings which also comprise three licences, totalling 419 square miles, were similarly renewed under licence for a further twelve month period from 1st August 1966. A test well has been drilled by your Company on the Whitmoor anticline in licence A.370/1. The well was located on a surface structure in Pennsylvanian sandstones and shales which was believed to straddle at depth a reef belt in Mississippian limestones.

After several months awaiting planning permission the well was spudded in on 11th November 1966 with British Petroleum as drilling contractor. Several shows of gas and one of oil were encountered and on reaching total depth of 5115 feet these zones were tested; but commercial production was not established and the well was partly plugged and abandoned on 14th January 1967.

The presence of hydrocarbons in the well was however encouraging and although the Mississippian reef belt was not directly encountered the limestones had reefal associations. Further exploration in the area is therefore under consideration.

In drilling Whitmoor No. 1 your Company was associated in this venture with the Burmah Oil Exploration Company Limited. An agreement was signed on 11th November between Place Oil and Gas Company (U.K.) Limited and the former whereby the Burmah Oil Company would contribute 50% of the cost of the well, with a cost ceiling, to earn a 25% undivided interest in each of the three Lancaster Fells Licences. Further, the Burmah Oil Exploration Company now has a right, (during an option period of six months from the date of release of the rig from Whitmoor No. 1) to earn a further 25% interest in the licences by an equivalent expenditure towards exploration or drilling. This matter is now under discussion between the companies.

Respectfully submitted.

London, England.
15th April 1967.

Colin Fothergill,
Ph.D., D.I.C., A.R.S.M., F.G.S.

PETROLEUM EXPLORATION MAP
OF
UNITED KINGDOM SECTOR OF NORTH SEA

UNITED KINGDOM LEASEHOLDERS

PO Place Oil & Gas Company (U.K.) Limited Noranda Mines Limited Sarcee Petroleum (Husky Oil Company Ltd.)	CO Continental Oil (U.K.)	PL Placid Oil (G.B.) Ltd.
AL Allied Chemical (G.B.) Ltd.	GC The Gas Council Amoco U.K. Petroleum Ltd. Amerada Exploration Texas Eastern (U.K.)	RT Rio Tinto Zinc Corp. Northcliffe Development Hamilton Bros. Oil Co. (G.B.)
AR Arpet Petroleum Ltd. British Sun Oil Co. North Sea Explt. & Research Ltd. Superior Oil (U.K.) Canadian Superior Oil (U.K.)	GU Gulf Oil (Great Britain)	SA Signal Oil & Gas Co. Richfield U.K. Petroleum Marathon Petroleum North Sea Cities Service (U.K.)
BP BP Petroleum Development Ltd.	HA Hamilton Bros. Oil Co. (G.B.) Ltd. Rio Tinto Zinc Corp. Ltd. Blackfriars Oil Co. Ltd. Trans-European Co. Ltd.	SH Shell (U.K.) Esso Petroleum Co.
BU Burmah Oil Exploration Co. Imperial Chemical Industries Murphy Petroleum Ocean Exploration Co.	HC Home Oil of Canada	TC Trinidad Canadian Oils
CF California Oil Co. Texaco North Sea U.K.	MN Monsanto Chemicals	TO Total Oil Marine Coastal Oil Co. Auxirap (U.K.) Eurafrep Co. Cofrasea Oil Co. Coparex North Sea Petroleum
CN Canadian Industrial Gas (U.K.) Ltd.	MO Mobil Prod. North Sea	WH Whitehall Petroleum
	NS North Sea Selection Co.	WR Whiterock Oil & Gas
	PH Phillips Petroleum Expl. U.K. Fina Exploration AGIP Century Power & Light Plascom (1909) Halkyn Dist. Utd. Mines Oil Exploration	



PLACE GAS AND OIL BALANCE SHEET AS AT

(With comparative figures for 1965)

ASSETS

		1965
Current:		
Cash and term deposits	\$ 103,175	\$ (69,837)
Accounts receivable	89,936	122,919
Prepaid expenses	10,985	5,714
Investments, at cost (approximate market value 1965 \$86,500) ..	—	93,597
	<u>\$ 204,096</u>	<u>152,393</u>
Investments and other interests (no quoted market value):		
Wholly-owned subsidiary —		
shares, at cost (Note 2)	203,553	203,553
advances	321,618	153,621
Affiliated company — advances	11,015	10,431
Interest in oil syndicate, at cost	29,700	29,700
Securities on deposit	4,693	—
	<u>570,579</u>	<u>397,305</u>
Fixed assets, at cost:		
Land, buildings, equipment and supplies	412,555	417,172
Petroleum and natural gas interests	59,370	62,546
Producing wells	854,227	814,233
Other wells	178,453	142,965
Gathering systems	393,650	384,189
	<u>1,898,255</u>	<u>1,821,105</u>
Less: Accumulated depreciation and depletion	<u>532,783</u>	<u>396,643</u>
	1,365,472	1,424,462
Deferred development and other expenses	564,781	545,155
	<u>\$2,704,928</u>	<u>\$2,519,315</u>

Approved on behalf of the Board: C. R. J. SMITH, Director

R. MICHAEL BUTLER, Director

AUDITORS' REPORT

To the Shareholders of
Place Gas & Oil Company Limited.

We have examined the balance sheet of Place Gas & Oil Company Limited as at December 31, 1966 and the statements of earned surplus and deferred development and other expenses for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Development and other expenses from inception to December 31, 1966 have been deferred. Inasmuch as the company's activities are still in the exploratory and development stage and all revenue has been applied against the expenditures deferred, the company is deemed to have realized no profit or sustained no loss to December 31, 1966 and therefore no profit and loss statement is submitted.

In our opinion, the accompanying balance sheet and statements of earned surplus and deferred development and other expenses, when read in conjunction with the notes thereto, present fairly the financial position of the company as at December 31, 1966 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the sources and applications of funds of the company for the year ended December 31, 1966.

Toronto, Ontario,
May 5, 1967.

HARBINSON, GLOVER & CO.
Chartered Accountants.

COMPANY LIMITED

AT DECEMBER 31, 1966

(December 31, 1965)

LIABILITIES

Current:			<u>1965</u>
Accounts payable	\$	36,750	\$ 90,439

SHAREHOLDERS' EQUITY

Capital Stock:			
Authorized:			
6,000,000 Shares of \$1 par value each			
Issued (Note 1):			
4,900,007 Shares	\$2,648,507		2,408,507
Earned surplus	19,671		20,369
		2,668,178	2,428,876

\$2,704,928 \$2,519,315

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

as at December 31, 1966

1. Share capital:

(a) Shares issued:	Shares	Par value	Discount	
For cash	2,900,007	\$2,900,007	\$ 681,500	
For other consideration	2,000,000	2,000,000	1,570,000	
	<u>4,900,007</u>	<u>\$4,900,007</u>	<u>\$2,251,500</u>	<u>\$2,648,507</u>

(b) During the year the company issued 100,000 shares for a cash consideration of \$240,000.

(c) Under the terms of an underwriting agreement dated April 25, 1967, the company issued 150,000 shares for a cash consideration of \$379,125.

2. The accounts of the wholly-owned subsidiary, Place Oil & Gas Company (U.K.) Limited, have not been consolidated with those of the company. The subsidiary's audited statements at December 31, 1966 are not available at this date.

Place Oil & Gas Company (U.K.) Limited is carrying on exploratory work and all expenditures to date have been deferred. Accordingly, no profits or losses have been incurred.

3. Total remuneration received by Directors of the Company for their services as Directors or Officers was \$26,345 for 1966.

PLACE GAS AND OIL COMPANY LIMITED

STATEMENT OF DEFERRED DEVELOPMENT AND OTHER EXPENSES

for the year ended December 31, 1966

(With comparative figures at December 31, 1965)

		1965
Revenue:		
Gas and oil	\$257,842	\$278,924
Miscellaneous	27,088	54,465
	<u>284,930</u>	<u>333,389</u>
Head office and administrative expenses:		
Engineering	\$12,500	12,500
Taxes, insurance and rent	12,502	11,988
Administration and general	22,870	41,797
Legal and audit	11,553	10,779
Shareholders' information	10,952	6,229
Interest and bank charges	1,635	2,676
	<u>72,012</u>	<u>85,969</u>
Production expenses:		
Offshore lease rentals	6,305	8,762
Royalties	19,856	21,686
Production	47,441	42,128
Maintenance and repairs	5,887	16,027
	<u>79,489</u>	<u>88,603</u>
Exploratory development expenses:		
Well development costs	5,845	27,464
Land leases	3,767	3,767
Offshore licenses of occupation	3,344	5,897
	<u>12,956</u>	<u>37,128</u>
	<u>164,457</u>	<u>211,700</u>
Net revenue before depreciation and depletion	120,473	121,689
Depreciation and depletion	140,099	139,680
Development expenditures deferred	19,626	17,991
Balance, beginning of year	545,155	573,961
Transferred to earned surplus	—	(46,797)
Balance, end of year	<u>\$564,781</u>	<u>\$545,155</u>

The notes to the financial statements are an integral part of this statement.

PLACE GAS AND OIL COMPANY LIMITED

STATEMENT OF EARNED SURPLUS

for the year ended December 31, 1966

(With comparative figures at December 31, 1965)

		1965
Balance, January 1, 1966	\$ 20,369	\$ 99,154
Add: Profit (loss) on sale of investments	4,981	(659)
	25,350	98,495
Deduct: Cost of well abandoned	\$2,502	—
Deferred development expenses on abandoned property	—	46,797
Petroleum and natural gas interests abandoned	3,177	13,766
Advances to affiliated company written-off	—	17,563
	5,679	78,126
Balance, December 31, 1966	\$ 19,671	\$ 20,369

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended December 31, 1966

(With comparative figures at December 31, 1965)

		1965
Working capital beginning of year	\$ 61,954	\$ 47,975
Sources of funds:		
Depreciation and depletion	\$140,099	139,680
Fixed assets disposals and adjustments	1,874	10,600
Profit (loss) on sale of investments	4,981	(659)
Issue of capital stock	240,000	120,000
	386,954	269,621
Application of funds:		
Investments and advances	168,581	108,262
Securities	4,693	—
Fixed assets	88,662	129,389
Deferred development expenditures	19,626	17,991
	281,562	255,642
Net increase	105,392	13,979
Working capital end of year	\$167,346	\$ 61,954

The notes to the financial statements are an integral part of this statement.

KEY MAP OF POTENTIAL MARKET AREAS OF THE NORTH SEA GAS



